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**Manchester City Council  
Report for Resolution**

**Report to:** Audit Committee – 28 July 2015

**Subject:** Annual Accounts 2014/15

**Report of:** The City Treasurer

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**Summary**

To report the 2014/15 Annual Accounts, which have been signed by the City Treasurer, to the Committee.

**Recommendations**

To note the unaudited 2014/15 Annual Accounts signed by the City Treasurer.

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**Wards Affected:**

All

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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Working papers – consolidation of 2014/15 accounts files (room 102 Town Hall)

Report of the City Treasurer to Audit Committee 11 June 2015 – Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Report of Grant Thornton to Audit Committee 11 June 2015 - The Audit Plan for Manchester City Council

## **1.0 Introduction**

- 1.1 This report sets out the process of approval of the annual accounts.

## **2.0 Background**

- 2.1 The Accounts and Audit Regulations issued by the Department for Communities and Local Government set out the requirements for the production and publication of the Annual Statement of Accounts.
- 2.2 The Accounts and Audit Regulations were revised in 2011 and the accounts are no longer expected to be approved by a Committee of the Council prior to their submission to the External Auditors. Instead they are expected to be certified by the City Treasurer, by 30 June, as providing a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.
- 2.3 Whilst it is not a requirement for the Audit Committee to approve the accounts before their submission to the External Auditors it is considered good practice that the Audit Committee should have the opportunity to consider the unaudited accounts.
- 2.4 The audited accounts together with the external audit report will be considered at the Audit Committee meeting at the end of September.

## **3.0 Key Issues in the Annual Accounts.**

- 3.1 The general fund outturn shows an underspend across all budgets, before approved carry forward requests, of £1.109m (before approved carry forward requests of £1.546m). As the Council's budget assumed a transfer to the general reserve to support the budget of £0.058m this underspend results in a transfer to general reserves of £1.167m at 31 March 2015. The general reserve, after this transfer, is £27.109m. Overall underspends on corporate costs have meant it has been possible to make provision for known liabilities whilst maintaining reserves to meet future costs at a reasonable level.
- 3.2 In addition the general fund reserve of £15m which related to the transfer from the HRA which was carried out in 2012/13 under the power in Schedule 4, Part 3 (2) of the Local Government and Housing Act 1989 has been transferred to the Housing Regeneration Reserve in 2014/15. On 26 March 2015 the Department of Communities and Local Government (CLG) informed the Council that having considered all the information provided in response to their enquiries the Secretary of State was satisfied that the transfer has had no negative impact on the Housing Revenue Account or its tenants and has therefore decided not to take any further action.
- 3.3 The Council's Revenue Outturn Report is included elsewhere on this agenda. This gives further details on the outturn variations and the contributions made to and from reserves during the year.

3.4 Accounting issues, including the changes in accounting policy relating to schools property, plant and equipment, have been addressed early with the External Auditors and a review of the accounts has been completed. More details were reported in Grant Thornton's report to Audit Committee on 11 June 2015.

3.5 The accounts will be available for public inspection from 3 August 2015 to 28 August 2015.

#### **4.0 Presentation of the Annual Accounts**

4.1 The annual accounts contain the following sections:

- The City Treasurer's Explanatory Foreword which sets out the background to the financial year including a summary of the Council's outturn position.
- The Statement of Responsibilities for the Annual Statement of Accounts which details the responsibilities of the City Treasurer.
- The Movement in Reserves Statement (MIRS) which explains the movement in the Council's usable and unusable reserves during the year.
- The Comprehensive Income and Expenditure Statement (CIES) which shows the accounting cost of the Council's activities rather than the amount to be funded from Council Tax. The Council Tax position is shown in the Movement in Reserves Statement.
- The Balance Sheet which shows the total assets, liabilities and reserves of the Council at the end of the year.
- The Cash Flow Statement which shows the reasons for the change in cash and cash equivalents during the year.

Each statement is preceded by a note explaining its purpose and followed by notes explaining the statements. The main statements are followed by three further sections:

- The Housing Revenue Account (HRA) reports on the Council's costs of owning and maintaining properties which are let to tenants and income from renting Council houses to tenants. These costs and income are also shown within the main statements.
- The Collection Fund account reports on the collection of local taxes and their distribution to the Council, Greater Manchester Police and Crime Commissioner, Greater Manchester Fire and Rescue Authority and Central Government.

- The Group Accounts shows the full extent of the Council's economic activities by reflecting the full extent of the Council's involvement with its material group companies and organisations.

These are followed by notes explaining the statements.

- The Annual Governance Statement, which gives a summary of the Council's review of the effectiveness of its overall governance arrangements including its system of internal control, accompanies the accounts.

4.2 The presentation of the accounts is governed by the accounting policies that the Council is required to follow. Accounting policy changes in 2014/15 relate to Schools Property, Plant and Equipment and the Carbon Reduction Commitment. Further information relating to these changes is shown in the Explanatory Foreword.

4.3 Valuations have again been commissioned for the land and building assets of Manchester Airports Holdings Ltd and Destination Manchester Ltd and these have been used to produce the 2014/15 Group Accounts. The accounting policies of companies within the group are therefore on the same basis as the Council as required by the Code of Practice on Local Authority Accounting.

## **5.0 Recommendations**

5.1 Members are requested to note the unaudited 2014/15 Annual Accounts signed by the City Treasurer.